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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000418

SIPDIS

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TAGS: [POGV](#) [PHUM](#) [PREL](#) [ASEC](#) [AM](#)
SUBJECT: OUTRAGED GOAM REACTION ON MCC DECISION NOT TO FUND
ROADS

REF: YEREVAN 391

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Classified By: Amabassador Marie Yovanovitch. Reason 1.4 (B/D)

¶1. (C) SUMMARY. FM Nalbandian expressed dismay that MCC had chosen not to fund the roads portion of the MCC compact. He said that the U.S. did not understand the political blow this represented; the opposition would use this for their own ends and wrongly interpret the MCC decision as a lack of U.S. support for Armenia. Nalbandian said that there could be spillover into other areas. He also criticized the U.S. OSCE statement on Armenian elections which was coincidentally issued in Vienna on June 11, the day the GOAM learned of the MCC decision. The President's Deputy Chief of Staff Vigen Sargsian told Ambassador it would be important to re-establish trust. The best way to do this, he said, was a high-level visit, so that principals could discuss these issues directly. While the GOAM has been angling for a high-level visit for years, we believe a visit by the Secretary in coming months would be useful, especially in the context of progress on Turkey-Armenian relations and Nagorno-Karabakh. END SUMMARY.

FM ANGRY AND DISAPPOINTED ABOUT MCC

¶2. (C) In a phone conversation with the Ambassador on June 11, FM Nalbandian expressed (predictable) dismay that MCC had chosen not to fund the roads portion of the MCC compact. He said the MCC made a "wrong decision" that - based on the public statement - amounts to a termination of the roads program in all but name. The FM claimed that the decision will be interpreted by many in Armenia - including some who are involved in decision-making - as an expression of dissatisfaction by the U.S. with the Government (presumably over Armenian policy on Turkey and/or N-K and, in fact, there have been several press reports linking the MCC decision with U.S. pique over Armenia's foreign policy).

¶3. (C) The Ambassador said that the USG was, in fact, trying to send the message to Armenia that following the flawed presidential election and the March 1 violence, Armenia must improve its performance in ruling justly. This was the same, consistent message that the U.S. had been sending for over a year. The Ambassador pointed out that it could have been worse - suspension or cancelation - which is the decision the Board took with respect to Nicaragua. The Ambassador also noted that the credibility of MCC was at stake, and that the GOAM had been aware for months that something like this would happen in the absence of real progress.

¶4. (C) The FM would have none of it, and noted that the public statement essentially rules out future roads funding, which amounts to termination, although that word was not

used. He said that the U.S. did not understand the political blow this represented; the opposition would use this for their own ends and wrongly interpret the MCC decision as a lack of U.S. support for Armenia. Nalbandian said that there could be spillover into other areas (clearly implying Turkey-Armenia and N-K), because there are others that decide Armenia's direction on these matters, who might be swayed by the MCC decision. The FM chided the U.S. for not understanding that in this part of the world "every word matters" and that it is important for the U.S. to look forward and provide encouragement.

AND ANGRY OVER THE US OSCE STATEMENT ON YEREVAN ELECTIONS

15. (C) The Ambassador and FM also discussed the U.S. statement to be delivered later on June 11 at the OSCE PC. He described it as a "very wrong statement" that will be "used by the opposition." He complained that the timing of the statement was also problematic, insulting newly-elected Mayor Beglarian on the very day of his inauguration. Ambassador responded that the timing was coincidental - we did not know Beglarian was being inaugurated on June 11. June 11 was the first OSCE PC session since the election results were certified, which was the first opportunity for the USG to comment on the elections. Nalbandian's final salvo was that the elections do not concern the OSCE - "PACE deals with this," to which the Ambassador responded that the U.S. is not a member of PACE and the OSCE has a long and proud tradition of election monitoring. The FM did not mention, although others have, that during the same week, the State Department issued the annual Advancing Freedom and Democracy Report (AFDR) on human rights and democracy which was critical of the GOAM, in particular for the 2008 presidential elections and the March 1 violence and its

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aftermath.

RE-ESTABLISH TRUST WITH A HIGH-LEVEL VISIT

16. (C) The President's Deputy Chief of Staff Vigen Sargsian also expressed concern to Ambassador about the MCC decision and the U.S. OSCE statement on Armenian mayoral elections, and how they would be interpreted in the government and by the public. "It was not a good day" for U.S.-Armenian relations, he said, and it would be important to re-establish trust. The best way to do this was a high-level visit, so that principals could discuss these issues directly.

COMMENT

17. (C) We did not expect the GOAM to be happy with the MCC decision, and they aren't. The press reaction has also been highly critical and septel provides details on the coverage. The Ambassador made a statement on June 15, noting the importance of the bilateral relationship and that if Armenia makes tangible progress in good governance, we will actively work with Congress to find other sources of funding for rural roads. We will have to weather a rough patch, but we hope that the statement and our continued support for Armenia in other areas will soften the GOAM's reaction to what they perceive as lack of political support for the GOAM - and President Sargsian personally - at a time of political risk and economic crisis. The fact that the GOAM is nevertheless interested in a high-level visit indicates how much they need U.S. support to navigate the two negotiations.

18. (C) While the GOAM has been angling for a high-level visit for years, we believe a visit by the Secretary in coming months would be useful, especially in the context of progress on Turkey-Armenian relations and Nagorno-Karabakh. A visit by Secretary Clinton would signal political support and help shore up resolve on difficult foreign policy issues

during the challenging months ahead.
YOVANOVITCH